



Supervisory Update News Summary

AS OF MAY 15, 2016

TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Commissioner Testifies Before the House Committee on State Affairs	Testimony April 28, 2016	Banking Commissioner Charles G. Cooper testified before the Texas House Committee on State Affairs with an overview of the condition of the Texas state banking system.	TDB
Department of Banking Hosting Train-the-Trainer Workshop in Dallas	Industry Notice 2016-2 May 2, 2016	The TDB is hosting a Train-the-Trainer Workshop in Dallas on June 7, 2016. The goal is to provide hands on learning regarding financial education curricula and best practices. The target audience include: financial institutions, teachers, government agencies, non-profit organizations and community leaders who are committed to or are interested in delivering financial education to their communities. Registration for this event is required.	TDB
Department of Banking Issues Supervisory Memorandum 1016 Providing Consumer Complaint Notices	Policy May 3, 2016	The TDB has issued Supervisory Memorandum 1016 related to providing consumer complaint notices. The policy addresses the treatment of complaint notices tied to government programs administered by a state-chartered entity.	TDB
New Texas Administrative Code Sections Related to Corporate Activities of Trust Institutions	Rules - New May 5, 2016	The Texas Finance Commission (FC), on behalf of the TDB, adopted two new sections to the Texas Administrative Code, § 21.43 and § 21.44 . Specifically, § 21.43 addresses establishing representative trust offices of federally chartered or federally insured out-of-state banks, and § 21.44 addresses establishing representative trust offices of out-of-state trust companies and uninsured state banks. More information can be found in the adoption preamble .	TDB
Texas Administrative Code Sections Related to Trust Company Loans and Investments Repealed	Rules - Repealed May 5, 2016	The FC, on behalf of the TDB, repealed two sections of the Texas Administrative Code related to Trust Company Loans and Investments: §19.1 regarding grandfathered loans and §19.21 regarding grandfathered investments.	TDB

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Texas Administrative Code Changes Related to Trust Company Chartering and Powers	Rules - Amended May 5, 2016	The FC, on behalf of the TDB, amended the Texas Administrative Code, §21.24 concerning exemptions for family trust companies. The amendments to subsection (a) clarify the definition of "family member" by eliminating ambiguities in Finance Code, §182.011(a - 1)(2), and define the term "key employee" as required by Finance Code, §182.011(a - 1)(1)(C); the new subsection (f) establishes one year as a reasonable transition period for terminating services to a former key employee or to a formerly revocable trust that is no longer an eligible family client; and the new subsection (g) extends the revised statutory exemption scheme to a family trust company that was granted exempt status prior to September 1, 2015. More information can be found in the adoption preamble to this rule.	TDB
Texas Administrative Code Amendments Related to Corporate Activities for Banks	Rules - Amended May 5, 2016	<p>The FC, on behalf of the TDB, amended three sections in the Texas Administrative Code related to Corporate Activities.</p> <p>The amendment to §15.2, Filing and Investigation Fees, reduces the filing fee from \$2,000 to \$200 for branch relocations within a one-mile radius. The amendment to §15.3, Expedited Filings, deletes the provision concerning expedited filings for branch relocations of less than one mile. The amendments to these sections are related to the amendment to section §15.42. More information regarding the changes can be found in the adoption preamble to these rules.</p> <p>The amendment to §15.42, Establishment and Closing of a Branch Office, is adopted to streamline and clarify the requirements concerning relocation of bank branch offices within a one-mile radius. More information regarding the changes can be found in the adoption preamble to this rule.</p>	TDB
FDIC Adopts Final Rule to Amend How Small Banks are Assessed for Deposit Insurance	PR-32-2016 April 26, 2016 FIL-28-2016 April 26, 2016	The board of the FDIC approved a final rule that amends the way small banks are assessed for deposit insurance. The final rule affects banks with less than \$10 billion in assets that have been FDIC insured for at least five years. It updates the data and revises the methodology that the FDIC uses to determine risk-based assessments for these institutions to better reflect risks and to help ensure that banks that take on greater risks pay more for deposit insurance than their less risky counterparts.	FDIC

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FDIC Issues List of Banks Examined for CRA Compliance	PR-36-2016 May 4, 2016	The FDIC issued its list of state nonmember banks recently evaluated for compliance with the CRA. The list covers evaluation ratings that the FDIC assigned to institutions in February 2016. All Texas state-chartered banks reviewed received a “Satisfactory” rating.	FDIC
FDIC Highlights Resources on Banking for Small Businesses During National Small Business Week	PR-37-2016 May 6, 2016	The FDIC is highlighting the agency's resources to help small businesses get the most from their banking relationships. The information is being emphasized to coincide with National Small Business Week, May 1-7.	FDIC
Regulatory Relief - Guidance to Help Financial Institutions and to Facilitate Recovery in Areas of Texas Affected by Severe Storms and Flooding	FIL-29-2016 April 26, 2016	<p>The FDIC has announced a series of steps intended to provide regulatory relief to financial institutions and to facilitate recovery in areas of Texas affected by severe weather which caused significant property damage during the period of April 17-24, 2016. The FDIC is encouraging depository institutions in the affected areas to meet the financial services needs of their communities.</p> <ul style="list-style-type: none">• The FDIC is encouraging banks to work constructively with borrowers experiencing difficulties beyond their control because of damage caused by the severe weather.• Extending repayment terms, restructuring existing loans, or easing terms for new loans, if done in a manner consistent with sound banking practices, can contribute to the welfare of the local community and serve the long-term interests of the lending institution.• Banks may receive favorable CRA consideration for community development loans, investments, and services in support of disaster recovery.	FDIC

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Updated Financial Institution Employee's Guide to Deposit Insurance - Latest Version Includes Multiple Examples to Better Understand Deposit Insurance Ownership Categories	FIL-30-2016 April 27, 2016	The FDIC has updated the <i>Financial Institution Employee's Guide to Deposit Insurance</i> . The <i>Guide</i> is designed primarily as a resource for bank employees to understand the FDIC's rules and requirements for deposit insurance coverage so they can assist depositors in understanding FDIC deposit insurance coverage.	FDIC
Mobile Financial Services – Update to FFIEC IT Examination Handbook Series	FIL-31-2016 April 29, 2016 SR 16-10 May 3, 2016 Press Release April 29, 2016	<p>The FFIEC has issued a new appendix, <i>Mobile Financial Services</i>, to the Retail Payment Systems booklet of the <i>FFIEC Information Technology Handbook</i>. The appendix provides guidance to assist examiners in evaluating the risks associated with mobile financial services.</p> <ul style="list-style-type: none"> • The appendix emphasizes an enterprise-wide risk management approach for effectively managing and mitigating the risks associated with mobile financial services. • The appendix discusses the technologies used in the mobile delivery channel, elevated risks that may result, and appropriate controls implemented by institutions or third-party providers. • The appendix contains a work program to assist examiners in determining the risks posed by an institution's mobile financial services and assessing the controls that have been implemented to mitigate those risks. 	FDIC FRB FFIEC

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
FRB Examiners To Conduct Off-site Loan Reviews for Community and Small Regional Banks	Press Release April 19, 2016 SR 16-8 April 19, 2016	<p>The FRB is implementing new procedures for examiners to conduct off-site loan reviews for community and small regional banks. The Board is offering this option as part of its ongoing efforts to improve efficiency and provide burden reduction while maintaining quality supervision.</p> <p>SR letter 16-8 announces to state member banks (SMBs) and U.S. branches and agencies of foreign banking organizations (FBOs) with less than \$50 billion in total assets that there is an option to have FR examiners review loan files off-site during full-scope or target examinations. FR examiners may conduct an off-site loan review provided the SMB or FBO is amenable to such an arrangement, and the SMB or FBO can send legible and sufficiently comprehensive loan information to the Reserve Bank in a secure manner.</p>	FRB
FRB Announces Termination of Enforcement Action Against Jack Henry & Associates, Inc.	Press Release April 26, 2016	<p>The FRB announced the termination of the enforcement action listed below:</p> <p>Jack Henry & Associates, Inc., Monett, Missouri Written Agreement dated December 4, 2013 Terminated March 29, 2016</p>	FRB
FRB Supervision and Regulation Letter - Inactive Supervisory Guidance	SR 16-9 April 21, 2016	<p>FRB staff are making certain previously issued Supervision and Regulation (SR) letters inactive. Most SR letters identified have been determined to be inactive and no longer applicable to the FR's supervision program. In many cases, the information transmitted in these issuances was a point-in-time announcement, or has become outdated, or has been superseded by subsequent regulations, policies, and guidance. In some instances, letters were made inactive because more comprehensive guidance on the topic can be located in the <i>Commercial Bank Examination Manual</i> or the <i>Bank Holding Company Supervision Manual</i>. This SR letter includes an attachment which lists the letters deemed inactive and provides a brief explanation indicating why each letter has been made inactive.</p>	FRB

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
OCC Provides Mid-Cycle Status Report on its Fiscal Year 2016 Committee on Bank Supervision Operating Plan	NR 2016-54 May 11, 2016	<p>The OCC released its mid-cycle report on key actions completed to date to execute its annual Committee on Bank Supervision's operating plan and on priority objectives for the remainder of the year. OCC staff use this plan to guide their supervisory priorities, planning, and resource allocations.</p> <p>According to the plan, supervisory priorities for the remainder of the fiscal year include:</p> <ul style="list-style-type: none"> • Compliance, • Operational Resiliency, • Credit Risk Management, • Stress Testing, • Strategic Planning and Execution, • Corporate Governance, and • Interest Rate Risk. 	OCC
FASB Votes to Proceed with Final Standard on Credit Losses	News Release April 27 2016	<p>FASB voted to proceed with a new accounting standard that provides timelier financial reporting of credit losses on loans and other financial instruments held by financial institutions and other organizations. The final ASU is expected to be published in June 2016.</p> <p>The Board decided to defer the original effective dates by one year to the following:</p> <ul style="list-style-type: none"> ▪ For public companies that meet the definition of a SEC filer, the upcoming standard will be effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2019. ▪ Other public companies will be required to apply the guidance for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. 	FASB

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TITLE	TYPE/DATE	DESCRIPTION	SOURCE
Final Rule: Customer Due Diligence Requirements for Financial Institutions	Final Rule May 11, 2016	FinCEN issued final rules under the BSA to clarify and strengthen customer due diligence requirements for: Banks; brokers or dealers in securities; mutual funds; and futures commission merchants and introducing brokers in commodities. The rules contain explicit customer due diligence requirements and include a new requirement to identify and verify the identity of beneficial owners of legal entity customers, subject to certain exclusions and exemptions. The final rules are effective July 11, 2016. Covered financial institutions must comply with these rules by May 11, 2018.	FinCEN
Treasury Announces Key Regulations and Legislation to Counter Money Laundering and Corruption, Combat Tax Evasion	Press Release May 5, 2016	The U.S. Department of the Treasury (Treasury) announced several actions to strengthen financial transparency and combat the misuse of companies to engage in illicit activities. Treasury announced a Customer Due Diligence (CDD) Final Rule, proposed Beneficial Ownership legislation, and proposed regulations related to foreign-owned, single-member limited liability companies (LLCs). Together, these efforts target key points of access to the international financial system – when companies open accounts at financial institutions, when companies are formed or when company ownership is transferred, and when foreign-owned U.S. companies seek to evade their taxes.	US Treas

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INDUSTRY PUBLICATIONS
Condition of the Texas State Banking System – March 2016
Texas Bank Report – May 2016
FRB's April 2016 Senior Loan Officer Opinion Survey on Bank Lending Practices
Dallas Fed – Regional Economic Update – April 2016
2015 Cost of Data Breach Study: United States - IBM and Ponemon Institute LLC

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OTHER RESOURCES
Bloomberg Business and Financial News
Consumer Financial Protection Bureau (CFPB)
The Financial Forecast Center - Discount Rate Information
FFIEC Information Technology Handbook InfoBase
FFIEC BSA/AML Examination Manual InfoBase
Financial Accounting Standards Board (FASB)
Financial Action Task Force (FATF)
Financial Crimes Enforcement Network (FinCEN)
FinCEN - Money Services Businesses (MSB)
Office of Foreign Assets Control, U.S. Treasury (OFAC)
Real Estate Market Reports (Texas A&M RE Center)
Temporary Liquidity Guarantee Program
Texas Constitution and Statutes
The Texas Economy – Texas Comptroller
Texas and National Economy – Federal Reserve Bank of Dallas
Troubled Asset Relief Program (TARP)
Uniform Bank Performance Reports (UBPR) and Users Guide

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ACRONYMS AND ABBREVIATIONS

ACRONYM/ABBREVIATION	MEANING
ASU	Accounting Standards Update
AML	Anti-Money Laundering
BSA	Bank Secrecy Act
CFPB	Consumer Financial Protection Bureau
CFR	Code of Federal Regulations
CRA	Community Reinvestment Act
CRE	Commercial Real Estate
CSBS	Conference of State Bank Supervisors
Dodd-Frank Act	The Dodd-Frank Wall Street Reform and Consumer Protection Act
FCA	Farm Credit Administration
FDIC	Federal Deposit Insurance Corporation
FRB (or Fed or FR)	Federal Reserve Board
FFIEC	Federal Financial Institutions Examination Council
FHFA	Federal Housing Finance Agency

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ACRONYM/ABBREVIATION	MEANING
FHA	Federal Housing Authority
FC	Finance Commission of Texas
FASB	Financial Accounting Standards Board
FinCEN	Financial Crimes Enforcement Network
FTC	Federal Trade Commission
HUD	Housing and Urban Development Department
NCUA	National Credit Union Association
OCC	Office of the Comptroller of the Currency
OFAC	Office of Foreign Asset Control
QRM	Qualified Residential Mortgage
SEC	Securities and Exchange Commission
SDN	Specially Designated National
TDB	Texas Department of Banking
TREAS (or Treasury)	U.S. Department of Treasury